

**RFP # 2016 Actuary
Actuarial Services
Proposal Due Date: January 20, 2016 4PM CT**

Addendum No. 1 – Pre-Proposal Telephone Conference

AGENDA

1. Welcome and Introductions
2. Administrative Points
 - a. Discrepancy in the RFP – Pre-proposal conference is NOT mandatory
 - b. Please hold your questions until the end. I will open the floor for questions at that time.
 - c. Please read the RFP in its entirety. Proposer is responsible for understanding its content. Some sections of the RFP will be highlighted during this call.
 - d. Verbal information and answers to questions made on this call are preliminary. Formal written responses will be posted on the ORM website at the RFP link.
3. RFP Highlights
 - a. Page 4, 1.4 Black out period – began December 4th with the RFP release
 - b. Page 6, 2.1 Term of contract – 3-year term beginning March 1, 2016
 - c. Page 6, 2.2 Pre-Proposal Conference – NOT mandatory
 - d. Page 6, 2.3 RFP Coordinator Don Martin
 - e. Page 7, 2.5 Schedule of Events – Pre-Proposal Conference is NOT mandatory – The dates must be adhered to or your written questions may not be answered or your proposal may not be accepted.
 - f. Page 7, 3.1 Minimum Qualifications – Must provide documentation to satisfy A – D. Use Page 29, Attachment IV as a checklist.
 - g. Page 8, 3.3 RFP Addenda – If ORM issues any addenda, it will be posted on the ORM website at the RFP link. ORM endeavors to email addenda notices, but the proposer is ultimately responsible to check the website for any changes to the RFP.
 - h. Page 10, 3.9 Proprietary Information – Read carefully. The RFP and all proposals are subject to the Public Records Law. If a proposal is marked confidential in its entirety, ORM has the right to reject it.
 - i. Page 10, 3.12 Contract and Award and Execution – your proposal must be valid for at least 90 days from the date of submission.
 - j. Page 12, 4.1 Proposal Submission – Read carefully. Proposals received in ORM's office after the deadline, for any reason, will not be accepted and will be returned unopened. An electronic copy must also be submitted with the hard copies of your proposal.
 - k. Page 16, 5.4 Veteran and Hudson Initiatives – if your company is Veteran/Hudson qualified, or if you plan to engage a subcontractor that is Veteran/Hudson qualified, points may be allocated as shown in the 6.5 Evaluation and Review section – Review the links provided to help you identify companies that may provide relevant services to this RFP, if any. You do not have to utilize a Veteran/Hudson partner for this RFP. It is encouraged, but not mandatory.
 - l. Page 17, 6.5 Evaluation and Review – Proposals are scored by a committee based on the table shown and the Evaluation Procedure in 6.5.1
 - m. Page 19, 6.5.5 Cost Evaluation – See Page 26 Attachment II Cost proposal Form – A maximum of 45 points will be assigned to Part A and Part B of each proposal based on the formulas shown on pages 19-20. Both Parts of the Cost Proposal Form must be completed.

4. Attachment II, Scope of Services

a. Reserve Analysis Services

- i. Key Deliverable - Actuarial Analysis Report (date in August as agreed upon by both parties) –

Schedule by line of ORM's Loss and ALAE reserves, and total ULAE reserves, as of June 30th, compared to estimated reserves developed independently by the actuary

Schedule by line of Change in Ultimate Loss Estimates from previous fiscal year to current fiscal year

Schedule by line of Estimated Prospective Fiscal Year Loss & ALAE

Schedule by line of Estimated Loss & ALAE Payments for next 2 fiscal years

Exhibits with the reserve development backup data, including schedules/graphs for each coverage line.

- ii. Key Deliverable - Statement of Actuarial Opinion letter (due end of third week of August) – Statement that ORM's reserves as of June 30 make reasonable provision for unpaid obligations.

- iii. Schedule of Monthly Loss Development Factors for each line of coverage for the prospective fiscal year (due August 31st)

- iv. Schedule of Initial Expected Losses for each line of coverage for the prospective fiscal year (due August 31st)

- v. Review of interim reserve reports developed by ORM

b. Premium Development Services

- i. Schedule of Indicated Unallocated Loss Adjustment Expenses (ULAE) amounts for each line of coverage for the prospective fiscal year (due August 31st)

- ii. Trend factor for each line of coverage from Loss Trend Analysis in Actuarial Analysis Report

- iii. Possible adjustments to statewide PUL due to material events such as privatization

c. Other Services

- i. Periodic look-back project

- ii. Exposure adjustments

- iii. Testimony (as needed)

- iv. Review of pending legislation

- v. Additional projects as requested.

5. Proposers Q & A

Responses to Pre-Proposal Telephone Conference Questions

General Questions

On page 12 regarding the electronic copy, are you looking for something like a PDF on a CD, or something e-mailed?

The electronic copy must be submitted with the hard copy of the proposal. It can be on a CD or USB drive; no e-mails, please.

For part B of the Cost Proposal Form, do you need the names of the staff over the three-year contract, or would a title and level be appropriate?

A title and level would be acceptable. ORM would prefer to know the names of the people that would be on the account but understands that there could be shifts in personnel. If you can name them, please do; if not, please provide an explanation why and it will be evaluated.

Can offshore resources be used – people working outside of the United States?

No.

Scope of Services

Is there a prescribed format for the requested schedules?

No, it depends on what your company would be able to provide. You may want to include samples of what would be provided.

Items F and G refer to “periodic” items. What is the frequency of these items?

Item F - The look-back projects involving the premium allocations are done every 5 years. The last one was done two years ago. The most recent periodic look-back was submitted to ORM in February 2014.

Item G - ORM requires a periodic re-valuation of the weight factors of the detail risk exposures for medical malpractice coverage to reflect the current market every 5 years. Exposure weights/split for other lines of coverage may need periodic adjusting to reflect any major changes in the current market conditions, though these changes are rare.

It sounds like over the three-year contract, the periodic look-back (item F) would be performed once. Is that an appropriate conclusion?

Yes, that is an accurate assessment.

Would that also be accurate for item G, the periodic exposure adjustment?

Yes, that is also performed at least every 5 years. You would expect to do it once during the term of the contract.

Item I says that the contractor will review quarterly IBNR/Reserve reports developed by ORM, does that imply that there are internal actuaries at your department?

No. ORM creates the quarterly IBNR/Reserve reports to be given to its financial section to produce financial statements. ORM asks the actuary for a peripheral review to identify any large discrepancies. The major IBNR/Reserve report is done at the end of the fiscal year.

It sounds like the contractor would be reviewing some type of allocation process?

ORM allocates statewide premiums to individual state agencies based upon their proportional share of the State's total loss-limited claims and exposures for each self-insured line of coverage. The actuary would periodically review the premium allocation to the various agencies for overall fairness and reasonableness.

For item J, regarding reviewing pending legislation, would ORM highlight the legislation that needs to be reviewed, or would you rely upon the consultant to monitor those areas for appropriate legislation?

ORM would send the consultant the pending legislation and ask for the consultant to let ORM know how it may affect ORM. ORM monitors legislation closely, so anything that would impact ORM's process with a need for actuarial analysis will be sent to the consultant. ORM has previously been asked to receive, from the contracted actuary, information about potential fiscal impact of pending legislation with a turnaround time of 48 hours.

For item F, is there a prescribed approach that is a standard you would want the consultant to follow, or should the consultant develop their own approach?

ORM has allowed the consultant to develop their own approach in the past.

For item F, would the prior analysis be made available for review, in consideration of consistency?

Yes, after the contract is awarded.

For items referring to "as of June 30", when would the consultant receive the data? Would you describe the format of the data, which would include loss listings and exposure amounts? In the past, if the report is due at the end of August, when do the consultants receive the loss information?

Generally, the consultant receives the data from ORM for any deliverable approximately 30 days before any deadline. The main exception is the ULAE expense allocation schedule used for premium development, which is usually sent to the consultant about 2 weeks before the deadline, because this schedule does not require a lengthy process by the actuary.

The bulk of the data sent to the actuary is in the form of the 6/30/XX IBNR/Reserve report (both the preliminary report- ULAE Reserves are incomplete; and the final report- all reserves completed) sent to the consultant. An example of this report for 6/30/2015 is included in the Supporting Documentation of the RFP website. Additional data would include the 6/30/XX loss triangles by major lines of coverage, schedule of exposures for current fiscal year by quarter, and financial statements.

Listed below is the approximate time for the consultants to receive the data from ORM for each deliverable item with a stated deadline in the RFP:

Deliverable A. - Actuarial Analysis Report as of 6/30/XX - Deadline to be negotiated:

ORM will provide actuary with preliminary 6/30/XX IBNR/Reserve report (ULAE reserves not finalized) approximately 30 days before final report is due.

ORM will provide actuary with final 6/30/XX IBNR/Reserve report approximately 15 days before final report is due.

Deliverable B. - Statement of Actuarial Opinion – Deadline by the end of the third week of August:

ORM will provide Letter of Representation from ORM to actuary approximately 10 days before deadline for Opinion Letter.

Deliverable C. – Initial Expected Losses Schedule -- Deadline of August 31st:

ORM will provide actuary with any requested data for IEL approximately 30 days before deadline

Deliverable D. - Annual Table of monthly loss development factors – Deadline of August 31st:

ORM will provide actuary with current incurred and paid loss triangles by major line of coverage approximately 30 days before deadline

Deliverable E. - Schedule of ULAE expenses by line for statewide premium development- Deadline of September 15th:

ORM will provide the actuary with the preliminary schedule of ULAE expenses approximately 2 weeks before deadline for actuary to complete allocation of remaining “undedicated” ULAE expenses.

Would you be able to share who the incumbent is?

The incumbent actuary is Towers Watson.

How many firms did you share the RFP with?

The RFP notice is posted in the newspaper and advertised. ORM will not necessarily know who would be participating until proposals arrive.

Our firm received a notification about the RFP. Would you be able to share how many notifications were sent out?

Approximately twenty notifications went out to specific companies. Other companies who saw other notices may also participate.